

Thank you for this opportunity to introduce myself to you and share my thoughts on the past, present and future of Kentucky's water.

Before I do that, however, I want to say, on behalf of the other members of the PSC – Vice Chairman Ellen Williams and Commissioner Greg Coker – how much we appreciate the work that the Kentucky Rural Water Association does on behalf of its member utilities. None of us have been at the PSC for very long, but it has taken us just a very short time to understand the importance of the KRWA as an advocate and an educational resource for water and wastewater utilities across Kentucky.

We are particularly gratified by the close working relationship between the KRWA and the PSC. We look forward to working even more closely with you in the coming years.

I stand before you today not just as the chairman of the Kentucky Public Service Commission, but as someone with deep roots in that place defined by the first two words in the name of your organization – rural Kentucky.

My ancestors settled in Harlan County nearly 200 years ago, and my family has been there ever since – for 10 generations or more. (For the last four generations, we've been country lawyers – but don't hold that against me.)

So I can say with complete confidence that I understand – in the deepest, genetic sense of the word – the importance of a safe and reliable water supply to the folks who live in rural Kentucky – whether it's the soybean farmer working the Mississippi River bottoms in Carlisle County or the coal miner living at the foot of Black Mountain.

Having “city water” is not just about being able to turn on the faucet and knowing that the water that comes out is safe for drinking, cooking or bathing – although the value of that confidence is beyond estimation. At the individual level, there are few “quality of life” issues as important as good water.

At the community level, there are no economic development issues as important as good water. Without it, there is no economic development.

A community can have the most conscientious workers anywhere, but without good water, it will have no factories. A community can have beautiful scenery and a fascinating heritage, but without good water, it will have few visitors. A community can offer a low cost of living, but without good water, it will attract no new residents.

So the work you do every day – without much notice or fanfare - is critical to continued growth and development of our Commonwealth. I have seen that first-hand as a resident of rural Kentucky.

That is the background I now bring to my relatively new role as chairman of the PSC.

Speaking now in that new role, let me share with you my perspective on your industry, as well as some thoughts about the future direction of the Kentucky Public Service Commission.

Over the last 75 years, rural America has been transformed by the coming of utility services. Electricity and telephone service were usually the first to arrive, in many ways opening somewhat isolated communities to the outside world.

Electricity also offered, for many people, the first prospect of a reliable water supply – in the form of an electric pump on the family well.

But getting public water supplies into rural areas has taken longer. And public sewers are taking longer still. The reason is pretty simple – it's much easier, and much less expensive, to string wire above ground than to put pipes below the surface. And you don't have to pump electricity up the hill.

But we have made remarkable progress. In 1985, 2.8 million Kentuckians – or about 75 percent of the population – was served by public water systems. Last year, nine in ten residents of the Commonwealth – 3.7 million people – received their water from a public system. That is a gain of nearly a million people, and 15

percent of the population, in less than two decades. That is something we – and you especially – can be proud of.

We've also seen great improvements in the quality of Kentucky's drinking water, as measured by the steadily climbing compliance with federal Safe Drinking Water Act standards.

At the same time, the number of public water systems is declining. There were 840 in 1993. Last year – a decade later – consolidations and mergers had brought the number down to 572.

That, to me, is also a measure of progress. It speaks volumes about the willingness of Kentuckians, in all areas of the state, to work together in the interest of better serving their communities. It shows an ability to set aside parochial interests in order to pool resources, to take advantage of economies of scale and bring better water service to more people. Both new entities such as the Logan-Todd Regional Water Commission and merged districts such as Northern Kentucky Water District exemplify this trend.

Another highlight of recent years is the cooperation and partnership of the KRWA and the PSC. I am discovering that one of the most valuable and appreciated services the PSC performs is the training and assistance our great staff provides, in partnership with the Kentucky Rural Water Association, to water district commissioners and staff. The commissioner training seminars have helped to improve the governance of water districts. Services such as rate case

assistance have been helpful in ensuring that districts remain on a sound financial footing.

It is my intention, and that of my fellow Commissioners, to continue and – wherever possible – expand these activities. Please let us know your needs and your thoughts on how we can assist you.

While the advances of the last 25 years have been enormous, there are always ample challenges ahead of us.

Much of our infrastructure, both in treatment and distribution, is showing its age and needs to be upgraded or replaced within the next several years. There are still nearly half a million Kentuckians who do not receive public water. Many of those people do not have an adequate domestic water supply. Reaching them should be one of our highest priorities.

Extending new lines and modernizing older systems is an expensive proposition. The U.S. Environmental Protection Agency estimates that, over the next 20 years, Kentucky will need to spend between \$1 billion and \$2 billion on water infrastructure. That's is \$50 million to \$100 million each year – in today's dollars – in each of the next 20 years.

The needs for wastewater infrastructure are even greater.

Those are daunting numbers, and it will take creativity and determination to get the job done.

There are several areas in which I hope the PSC can play a positive role:

- We will work with the Kentucky Infrastructure Authority, the Division of Water, area development districts and other state and local agencies to help your members identify and secure sources of funding for needed system improvements and expansions.
- Our staff will continue to offer assistance in engineering, finance and other areas to help you improve your operations and strengthen your financial positions.
- We will continue to encourage districts to improve service and efficiency through cooperation, sharing of resources and other mechanisms. We will do all we can to facilitate such efforts.
- And, as I said before, we remain committed to providing training and education for water district commissioners and staff.

Now, let me turn briefly to what has been happening at the PSC.

There has been change – three new commissioners, a new executive director, a new general counsel, some departures, and some familiar faces in new roles.

You may see some additional changes and some more new faces in the coming months. It will not be change simply for the sake of change. I certainly subscribe to the common adage that “if it ain’t broke, don’t fix it.” Our goal – as it is throughout Governor Fletcher’s administration – is to make your state government work harder, smarter and more efficiently. Where we can implement changes that will make the PSC do a better job for regulated utilities and their customers, we intend to do so. If you have ideas for improvement, I encourage you to share them with us.

One thing that will not change is the PSC’s core mission: to ensure that utilities receive fair, just and reasonable rates and that their customers receive adequate service. Rest assured that the PSC’s commitment to that mission is unwavering.

Finally, let me address a topic that has been much on my mind in recent weeks. On this issue there can be no compromise.

When he took office, Governor Fletcher pledged to restore trust and faith and confidence in state government. Every state employee – whether appointed by this or previous administrations – has the same obligation.

The Kentucky Public Service Commission has a reputation for integrity and accountability. Nothing I have seen in my time at the PSC has caused me to believe that reputation is anything other than

well deserved. The members of the PSC staff do not take lightly the obligations that come with being a public servant and do their utmost to meet those obligations. They take justifiable pride in their work and in their agency.

That said, there is always room for improvement. From our first days in office, Vice Chairman Ellen Williams, Commissioner Greg Coker, Executive Director Beth O'Donnell and I have looked for ways to do things better – better for consumers, better for regulated utilities, better for PSC employees.

The most important improvements we can make are in the areas of integrity, accountability and transparency – to take that high level which we already achieve and to set the bar ever higher, to challenge and push ourselves to do even better.

We already have instituted a number of changes. Some I hope will soon become apparent to you, as we implement procedures that will make the PSC more efficient and more responsive to customers and utilities alike.

Other changes may be less visible, but no less important. We are reviewing all of our procedures to insure that the actions of the PSC and its employees adhere to the highest standards. That does not

mean that every party to every case will agree with every decision. But it does mean that every decision should and will be made in a manner that is open, fair and beyond reproach – and that inspires public trust.

The effectiveness of the PSC rests in large measure in the confidence placed in us by the Governor who appoints us, the legislators who enact the laws we implement, the utilities we regulate and, **most importantly**, the citizens of this Commonwealth. As chairman, I have no duty more important than ensuring that the PSC, through the work we do and the decisions we make, continues to earn that confidence each and every day.

I very much appreciate having this opportunity to meet with you. I believe that the steady expansion and improvement of water and wastewater services for Kentucky residents is in large measure due to the hard work that the Kentucky Rural Water Association and its members have done over the last 25 years.

On behalf of the PSC and its staff, I want to thank you for your accomplishments and to extend to you an invitation to form an even closer working relationship in the years to come.

Thank you very much.